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## Can your parent be a Dependent and you get a Deduction?

August 18, 2010 by Deirdre Wheatley-Liss



Clearly your parents can be dependent on you (an issue beyond the scope of any article) , but can you claim them as dependents and get a tax deduction?

The answer - maybe (a lawyers stock in trade). There is a 5 (possibly 6) step test if you can claim a parent as a dependent and get a tax deduction. You can find more details on the deduction in IRS Publication 501, although not necessarily more clearly explained.

**What do you get if you can claim a parent as a dependent?** You receive an additional dependent exemption valued at \$3650 and 2010. This is the same standard deduction that you can claim for a dependent child, although with children there is not normally an analysis that you need to go through to see whether or not they qualify as dependents.

### **The 5 Step Test:**

(1) **The person you're claiming as a dependent must be related to you or living with you.** This is generally going to include parents, grandparents, great grandparents, stepmother or stepfather, and an aunt or uncle. Alternatively, the person must live with you all year as a member of your household. *A person can be related to you and your dependent but not live with you* -- this is very important when a mother or father might still live in their own household, or reside in assisted living or nursing home.

(2) **There are citizenship requirements.** The person must be a United States citizen, United States resident, or a citizen of Canada or Mexico.

(3) **The dependent person cannot file a joint return with any other person.** For example, if your mother is married to your stepfather, and they're filing a joint return, and you won't be able to claim your mother as a dependent.

(4) **The dependent parent cannot earn more than \$3650 of includable income.** A great post from the New York Times "Ask an Elder Law Attorney: Claiming a Parent as a Dependent" explains this further:

**Now, here come the tricky parts.** The parent's gross taxable income can't exceed the I.R.S.'s personal exemption, which is set each year. It's \$3,650 for 2010. Social Security income, however, isn't taxable unless someone receives more than \$25,000 in total income. So if your mother's only income is \$6,000 of Social Security, then she meets this test.



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(5) **You, the child, and must provide at least 50% of the dependent parents support.** An example from the New York Times article.:

Let's say your mother's expenses for the year amount to \$12,500 for food, lodging, clothing, medical and dental care, transportation and recreation — anything spent on her behalf. Your mother will collect \$6,000 in Social Security benefits this year, so you have to spend more than that, at least \$6,001, to claim her as a dependent.

This last point can be the most challenging to determine. If you are paying all of your mother's bills directly, then it can be pretty easy to say if what you paid is greater than what she earned. However, if your dad lives with you and you are buying your dad stuff (food, clothes, furniture) it can be more difficult to determine if you meet the 50% test. You will need to look back to Publication 501 to determine the "fair rental value" of what you are providing. There is a great article at Bankrate.com "Tax Help in Caring for an Aging Parents" that has more examples of how you can look at the support test.

Oh, and one last point. If you are a "high income earner" the amount that you can take as a dependent deduction is reduced, and possibly eliminated. If your Adjusted Gross Income (AGI) is more than \$250,200 for joint filers, \$166,800 for single filers, or \$208,500 for heads of household (using 2009 figures), then the \$3650 starts to reduce.

**Regardless of the complexities, the dependent parent deduction can put money in your pocket, so it is worth exploring if you are caring for older relatives.**

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